

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:

December 11, 2001

**NASHVILLE GAS COMPANY
ACTUAL COST ADJUSTMENT (ACA) AUDIT**

**DOCKET NO.
01-00306**

**ORDER ADOPTING ACA AUDIT REPORT OF TENNESSEE REGULATORY
AUTHORITY'S ENERGY AND WATER DIVISION**

This matter came before the Tennessee Regulatory Authority (the "Authority") at a regularly scheduled Authority Conference held on October 9, 2001, for consideration of the report of the Authority's Energy and Water Division (the "Staff") resulting from the Staff's audit of Nashville Gas Company's ("Nashville Gas" or the "Company") annual deferred gas cost account filing for the year ended January 31, 2001.¹ The Actual Cost Adjustment ("ACA") Audit Report (the "Report"), attached hereto as Exhibit 1, contains the audit findings of the Staff, the responses thereto of the Company, and the recommendations of the Staff to the Company in addressing the findings.

The Company submitted its ACA filing on April 3, 2001, and the Staff completed its audit of the Company's filing on August 24, 2001. On August 29, 2001, the Staff issued its preliminary ACA audit findings to the Company, and the Company responded to these findings on September 7, 2001. The Staff filed its Report with the Authority on September 24, 2001. The

¹ As the Report states, the normal audit period is twelve (12) months ending in December, but the Company requested that the audit period in this instance cover thirteen (13) months, citing a large swing in its ACA balance between December 31, 2000 and January 31, 2001 because of the sharp increase in gas prices that occurred in December 2000. The next audit filing will cover eleven (11) months.

Report contains four findings. The first finding is that a refund check in the amount of \$8,252.40 from Columbia Gas was recorded as a debit in May of 2000 and this was an over-recovery of gas costs. The second finding is an over-recovery of commodity gas cost of \$13,770. The third finding is that two findings for the period of 1999 had not been booked into the ACA and these amount to a \$105.89 over-recovery of gas costs. The fourth finding is that the Staff calculated an additional interest amount due to customers of \$925.69 based on the first three findings. As stated in the Report, the Company agreed with all four of these findings.

The Report states that the Staff's audit showed a net over-recovery of gas costs of \$23,053.98 for the audit period. The Report further states that this net over-recovery is less than one-tenth of one percent (.1%) of the Company's total gas purchases and is not considered material. The Report notes that the Company customarily makes an adjustment for Staff's findings to the Deferred Gas Cost account in the following audit period and Staff concurs with this method.

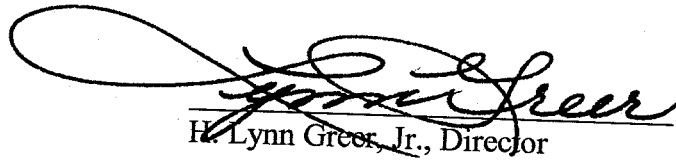
After consideration of the Report, the Authority unanimously approved and adopted the findings and recommendations contained therein.

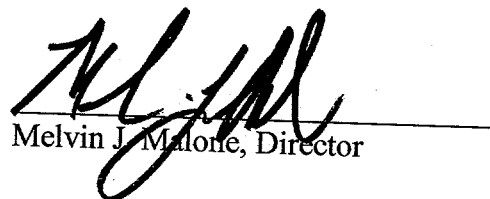
IT IS THEREFORE ORDERED THAT:

1. The Actual Cost Adjustment Audit Report, a copy of which is attached to this order as Exhibit 1, is approved and adopted, and the findings and recommendations contained therein are incorporated in this Order as if fully rewritten herein;
2. Any party aggrieved by the Authority's decision in this matter may file a Petition

for Reconsideration with the Authority within fifteen (15) days from the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary